

SANILAC TRANSPORTATION CORPORATION
Carsonville, Michigan

Component Units' Financial Statements

Auditor's Report and Single Audit Report

September 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Sanilac Transportation Corporation	County Sanilac
Audit Date 9/30/05	Opinion Date 1/26/06	Date Accountant Report Submitted to State: 3/31/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

RECEIVED
DEPT. OF TREASURY

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

APR 04 2006

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including comments and recommendations.

LOCAL AUDIT & FINANCE DIV.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		


Certified Public Accountant (Firm Name) ROBSON & McCALLUM, CPA's			
Street Address P.O. BOX 779	City LAPEER	State MI	ZIP 48446
Accountant Signature 		Date 3/31/06	

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ROBSON AND McCALLUM
Certified Public Accountants

624 W. Nepessing Street • Suite 106
Lapeer, Michigan 48446
(810) 664-2961 • FAX: (810) 664-9511

Carole A. Robson, CPA • Scott A. McCallum, CPA • Members AICPA and MACPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sanilac Transportation Corporation
Carsonville, Michigan 48419

We have audited the component unit financial statements of the Sanilac Transportation Corporation, a component unit of the County of Sanilac, as of and for the year ended September 30, 2005 as listed in the table of contents. These financial statements are the responsibility of the management of the Corporation and the County of Sanilac. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements present fairly, in all material respects, the financial position of the Sanilac Transportation Corporation at September 30, 2005, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2006 on our consideration of the Sanilac Transportation Corporation internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants, agreements and other matters.

Our audit was made for the purpose of forming an opinion on the component unit financial statements of Sanilac Transportation Corporation, County of Sanilac, taken as whole. The accompanying financial information listed as supplementary financial information in the table of contents, including the Schedule of Federal and State Financial Assistance as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements of Sanilac Transportation Corporation. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Sanilac Transportation Corporation has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Robson and McCallum
January 26, 2006

SANILAC TRANSPORTATION CORPORATION
STATEMENT OF NET ASSETS
September 30, 2005

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 176,622
Accounts Receivable	1,138
Due From Federal Sources	45,422
Due From State Sources	71,781
Prepaid Expenses	<u>27,975</u>

Total Current Assets \$ 322,938

Property and Equipment

Land	\$ 49,336
Leasehold Improvements	32,371
Furniture and Fixtures	78,394
Equipment	47,496
Vehicles	
Revenue	1,117,256
Other	<u>28,869</u>

Less: Accumulated Depreciation \$ 1,353,722
(828,748)

Net Capital Assets \$ 524,974

Total Assets \$ 847,912

LIABILITIES

Current Liabilities

Accounts Payable	\$ 20,322
Compensated Absences	3,239
Accrued Wages	<u>7,654</u>

Total Current Liabilities \$ 31,215

Other Liabilities

Compensated Absences	<u>14,755</u>
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Total Liabilities \$ 45,970

NET ASSETS

Investment in Capital Assets	\$ 524,974
Unrestricted	<u>276,968</u>

Total Net Assets \$ 801,942

See Auditor's Report and Notes to the Financial Statements.

SANILAC TRANSPORTATION CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended September 30, 2005

Operating Revenues	\$ 431,971
Operating Expenses	<u>(1,048,403)</u>
Operating Loss	\$ (616,432)
Nonoperating Revenues	<u>458,648</u>
Decrease in Net Assets	\$ (157,784)
Net Assets - October 1, 2004	<u>959,726</u>
Net Assets - September 30, 2005	<u><u>\$ 801,942</u></u>

See Auditor's Report and Notes to the Financial Statements.

SANILAC TRANSPORTATION CORPORATION
STATEMENT OF CASH FLOWS
Year Ended September 30, 2005

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows From Operating Activities

Operating Revenue	\$ 432,734
Payment to Suppliers	(490,698)
Payment to Employees	<u>(431,530)</u>
Net Cash Used by Operating Activities	<u>\$ (489,494)</u>

Cash Flows From Non-Capital Financing Activities

State Non-Operating Revenue	\$ 339,781
Federal Non-Operating Revenue	<u>115,337</u>
Net Cash Flows Provided by Non-Capital Financing Activities	<u>\$ 455,118</u>

Cash Flows From Investing Activities

Interest Earned	<u>3,530</u>
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Net Decrease in Cash	\$ (30,846)
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Cash - October 1, 2004	<u>207,468</u>
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Cash - September 30, 2005	<u><u>176,622</u></u>
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**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (616,432)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	164,963
(Increase) Decrease in	
Accounts Receivable	(21,256)
Prepaid Expenses	(437)
Increase (Decrease) in	
Accounts Payable	(12,384)
Accrued Payroll	(405)
Compensated Absences	<u>(3,543)</u>
Net Cash Used by Operating Activities	<u><u>\$ (489,494)</u></u>

See Auditor's Report and Notes to the Financial Statements.

SANILAC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF REPORTING ENTITY:

As a component unit of the County of Sanilac, the Corporation has entered into a contract with the County to operate a county-wide transportation system with financial assistance provided by Act No. 51 of the Public Acts of 1951, Section 18 of the Urban Mass Transportation Act of 1964.

The accounting policies of Sanilac Transportation Corporation conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

SCOPE OF REPORTING ENTITY:

In accordance with the provisions of the Governmental Accounting Standards Board Statement #14, "Defining the Governmental Reporting Entity," the component unit financial statements of Sanilac Transportation Corporation contain all the Corporation's executive or legislative branches. Control by or dependence on the Corporation was determined on the basis of appointment of governing authority, budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Corporation, obligations of the Corporation to finance any deficits that may occur, receipt of significant subsidies from the Corporation, disposition of surplus funds and scope of public service.

The Corporation has no oversight responsibility, accordingly, there are no other governmental entities included in its general purpose financial statements.

BASIS OF ACCOUNTING:

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable; expenditures are recognized when they become a liability. Enterprise funds are accounted for using the full accrual basis of accounting. The full accrual basis of accounting provides that revenues are recorded when earned and expenditures are recorded when the liability is incurred.

PROPRIETARY FUNDS:

Enterprise Funds - Enterprise Funds are used to account for operations (A) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (B) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CASH, CASH EQUIVALENTS, AND INVESTMENTS:

For purposes of the statement of cash flows, demand deposits and short-term investments with a maturity date of three months or less when acquired are considered to be cash equivalents.

CASH AND INVESTMENTS:

Deposits are carried at cost. Deposits are in two financial institutions in the name of the Corporation. Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations. Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase and which involve no more than fifty percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money.

SANILAC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

RISK FINANCING:

The Sanilac Transportation Corporation is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors and omissions. The Corporation is a member of the Michigan Transit Pool (a group self insurance pool) to account for and finance these risks of loss. Currently, the pool has two separate loss protection programs known as the Liability Coverage Program and the Direct Property Damage Coverage Program. The Liability Coverage Program provides coverage for motor vehicle liability as required by state law and general liability coverage. The Direct Property Damage Coverage Program provides coverage for collision losses, comprehensive losses, and losses of use.

Payments ("premiums") charged to members participating in the Liability Coverage Program and the Direct Property Damage Coverage Program are determined in amounts pursuant to cost allocation plans for each program. However, both of the programs involve the transferring of risk of loss amongst members, and premiums are subject to retrospective adjustments to prior years. Since liability claims can remain pending for many years, several retrospective adjustments for each program year are likely. Under most circumstances, the Corporation's maximum loss per occurrence is limited as follows:

	<u>DEPOSIT PREMIUMS</u>	<u>MAXIMUM RETENTION PER OCCURRENCE</u>	<u>COVERAGE LIMIT PER OCCURRENCE</u>
Motor vehicle and General Liability	\$ 38,743	\$ 100,000	\$ 1,000,000
If a loss is greater than the retention amount, the difference is covered by excess insurance carriers.			
Direct Property Damage	\$ 4,224	\$ 10,000	Book Value of Property

Members pay the first \$2,000 of each loss. The next \$8,000 is also the member's responsibility, but comes from the member's premium deposit. Loss amounts above \$10,000 are pooled, and shared between all program members, based upon the relative book values of each respective member. Comprehensive losses over \$50,000 are covered by the excess insurance carrier.

The Corporation reports its required contribution to these programs as insurance expense for the period of coverage. Additional assessments which are considered likely are accrued in accordance with FASB Statement No. 5. Any dividends or returns of contributions are recognized as a reduction of expense at the time the dividend is declared.

PROPERTY AND EQUIPMENT:

Property and equipment are stated at cost or fair market value at date of gift. Depreciable fixed assets are depreciated over the estimated useful life of the assets on the straight-line method. For all fixed assets purchased with grant funds, depreciation is charged against contributed capital. For all assets purchased with operating funds, depreciation is expensed.

SANILAC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

DETAILED NOTES ON ALL FUNDS:

CASH AND INVESTMENTS:

The Corporation's deposits are in accordance with statutory authority.

At September 30, 2005, the balance sheet carrying amount of deposits was \$176,622. The bank balance as of September 30, 2005 was \$180,138, of which \$173,191 was covered by FDIC insurance and \$148 was insured by the National Credit Union Administration.

In accordance with GASB Statement 3, cash deposits and investments are classified into three categories of credit risk as follows:

- Category 1: Insured or collateralized with securities held by the Local Unit or its agent in the Local Unit's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the Local Unit's name.
- Category 3: Uncollateralized (includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Local Unit's name).

Cash deposits are classified in risk category number three.

At no time during the fiscal year did the Corporation's pension plan investment portfolio use derivative instruments or products.

ACCOUNTS RECEIVABLE:

Receivables have been recognized for all significant amounts due the Corporation. Valuation reserves have not been provided because the collection thereof is not considered doubtful.

FIXED ASSETS:

Major classes of property and equipment consist of the following:

	<u>USEFUL LIVES</u>	<u>PURCHASED WITH CORPORATE FUNDS</u>	<u>PURCHASED WITH CAPITAL GRANTS</u>	<u>TOTAL</u>
Land	N/A	\$ 49,336	\$ -0-	\$ 49,336
Furniture and Fixtures	5-10 Years	16,228	62,166	78,394
Leasehold Improvements	10-20 Years	32,371		32,371
Vehicles	5-7 Years	26,996	1,119,129	1,146,125
Equipment	5-10 Years	<u>8,135</u>	<u>39,361</u>	<u>47,496</u>
Subtotal		\$133,066	\$1,220,656	\$1,353,722
Less: Accumulated Depreciation		<u>(69,485)</u>	<u>(759,263)</u>	<u>(828,748)</u>
Net Property and Equipment		<u>\$ 63,581</u>	<u>\$ 461,393</u>	<u>\$ 524,974</u>

When federal or state funded assets are withdrawn from public transportation service, the disposition of the asset is determined by the Michigan Department of Transportation. There were no capital assets purchased or withdrawn from service during the fiscal year.

SANILAC TRANSPORTATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

DETAILED NOTES ON ALL FUNDS: (Continued)

DEFERRED COMPENSATION:

Sanilac Transportation Corporation offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in a custodial account as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of Sanilac Transportation Corporation for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in Sanilac Transportation Corporation's financial statements. Employer contributions for the year were \$4,635.

COMPENSATED ABSENCES:

Vacation leave is earned in varying amounts depending on the employee's number of years of service and is made available to the employees monthly, not to exceed a total accumulation of twenty days. Sick leave is accumulated at the rate of ½ day for each month of service, not to exceed a total accumulation of twenty days each is determined on the employee's anniversary date.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RIDERSHIP INFORMATION:

Ridership information is recorded daily. The bus odometers are read each evening by the manager and the mileage for that day is recorded on the respective bus mileage log. In addition, each day the driver records the number and type of riders on a driver's log. Drivers' logs are turned in to the manager at the end of the day. These records provide the ridership figures for the quarterly operating reports submitted to the State.

DESCRIPTION OF LEASING ARRANGEMENT:

The Corporation conducts all of its operations from leased facilities which include an office and a storage building. The lease is classified as an operating lease. The rental payments under the terms of the lease are based upon a monthly minimum rental. The Corporation can amend or extend the lease terms by endorsement of the lessor and lessee. The Corporation is responsible for liability and fire loss insurance and utilities on leased facilities. The status of the lease as of September 30, 2005 is on a month to month basis at a rate of \$1500 per month.

SANILAC TRANSPORTATION CORPORATION

OPERATING REVENUES

Year Ended September 30, 2005

Schedule 1

Operating Revenues

Special Transit Fares	\$ 385,000
Customer Fares and Ticket Sales	38,078
Freight Income	197

Non-Transportation Revenue

Advertising Revenue	1,332
Refunds and Expense Reimbursements	1,600
Contributed Services	5,483

Other Non-Transportation Revenue	<u>280</u>
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Total Operating Revenues	<u>\$ 431,970</u>
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See Auditor's Report and Notes to the Financial Statements.

SANILAC TRANSPORTATION CORPORATION**OPERATING EXPENSES**

Year Ended September 30, 2005

Schedule 2

	<u>OPERATIONS</u>	<u>MAINTENANCE</u>	<u>GENERAL ADMINISTRATION</u>	<u>TOTAL SYSTEM</u>
Operating Expenses				
Labor				
Operator Wages	\$ 262,366	\$ -0-	\$ -0-	\$ 262,366
Other Wages	20,033	31,298	49,159	100,490
Dispatcher Wages	64,728			64,728
Fringe Benefits	144,351	21,037	19,015	184,403
Advertising			2,055	2,055
Services	1,923	14,215	13,882	30,020
Materials and Supplies Consumed				
Fuel and Lubricants	96,564			96,564
Tires and Tubes	8,022			8,022
Other Materials and Supplies		35,142	3,804	38,946
Utilities	2,275	5,408	8,524	16,207
Casualty and Liability Costs				
Premiums for Public Liability and Property Damage Insurance	42,136			42,136
Premiums - Other Corporate Insurance			13,410	13,410
Miscellaneous				
Travel, Meetings, and Training	1,152	45	3,456	4,653
Dues and Subscriptions			1,060	1,060
Other Expenses	380			380
Leases and Rentals		12,000	6,000	18,000
Depreciation and Amortization	<u>149,640</u>	<u>6,049</u>	<u>9,274</u>	<u>164,963</u>
Total Operating Expenses	<u>\$ 793,570</u>	<u>\$ 125,194</u>	<u>\$ 129,639</u>	<u>\$ 1,048,403</u>

See Auditor's Report and Notes to the Financial Statements.

SANILAC TRANSPORTATION CORPORATION

NONOPERATING REVENUES

Year Ended September 30, 2005

Schedule 3

Nonoperating Revenues
State of Michigan Grants

Operating Assistance (Act 51) 2003 - 2004	\$ 338,642
Operating Contract 02-0083/Z5	<u>1,139</u>
Total State Grants	<u>\$ 339,781</u>

Federal Grants

Contract - 02-0083/Z5 - Section 5313(b)	\$ 4,554
Contract - 02-0083/Z8	108,735
Rural Transit Assistance Program	<u>2,048</u>

Total Federal Grants	<u>\$ 115,337</u>
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Interest Income	<u>3,530</u>
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Total Nonoperating Revenues	<u><u>\$ 458,648</u></u>
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See Auditor's Report and Notes to the Financial Statements.

SANILAC TRANSPORTATION CORPORATION
SCHEDULE OF EXPENSES BY CONTRACT AND GENERAL OPERATIONS
Year Ended September 30, 2005
Schedule 4

	<u>RURAL TRANSIT ASSISTANCE PROGRAM</u>	<u>OPERATIONS</u>	<u>TOTAL</u>
Labor	\$ -0-	\$ 427,584	\$ 427,584
Fringe Benefits		184,403	184,403
Advertising		2,055	2,055
Services		30,020	30,020
Materials and Supplies		143,532	143,532
Utilities		16,207	16,207
Casualty and Liability Costs		55,546	55,546
Miscellaneous Expense	2,048	4,045	6,093
Lease and Rentals		18,000	18,000
Depreciation		<u>164,963</u>	<u>164,963</u>
	<u>\$ 2,048</u>	<u>\$1,046,355</u>	<u>\$1,048,403</u>

See Auditor's Report and Notes to the Financial Statements.

SANILAC TRANSPORTATION CORPORATION
NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS
Year Ended September 30, 2005
Schedule 5

	FEDERAL SECTION 5311	STATE OPERATING ASSISTANCE
Expenses		
Labor	\$ 427,584	\$ 427,584
Fringe Benefits	184,403	184,403
Advertising	2,055	2,055
Services	30,020	30,020
Materials and Supplies	143,532	143,532
Utilities	16,207	16,207
Casualty and Liability Costs	55,546	55,546
Miscellaneous	4,045	4,045
Leases and Rentals	18,000	18,000
Depreciation	<u>164,963</u>	<u>164,963</u>
Total Expenses	<u>\$ 1,046,355</u>	<u>\$ 1,046,355</u>
Less: Cost of 2003-2004 Audit	\$ 4,125	\$ -0-
Ineligible Dues	15	15
Depreciation	157,649	157,649
Costs Related to Advertising Revenue	182	182
Expenses Reimbursed by Contract 02-0083Z5	<u>5,693</u>	<u>5,693</u>
Total Ineligible Expenses	<u>\$ 167,664</u>	<u>\$ 163,539</u>
Less: Non-Transportation Revenue	<u>\$ 1,797</u>	<u>\$ 1,797</u>
Net Eligible Expenses	<u>\$ 876,894</u>	<u>\$ 881,019</u>
Maximum Section 5311 Reimbursement (12.4%)	<u>\$ 108,735</u>	
Preliminary Reimbursement (38.437574823%)		<u>\$ 338,642</u>
 <u>MANDATORY FLOOR:</u> State operating assistance for fiscal year 1997		 <u>\$ 311,240</u>

See Auditor's Report and Notes to the Financial Statements.

SANILAC TRANSPORTATION CORPORATION
DETAIL OF INELIGIBLE EXPENSES AND REVENUES

Year Ended September 30, 2005

Schedule 6

INELIGIBLE EXPENSES:

Costs reimbursed for a county-wide coordination study with grant fund monies is an ineligible expense. A percentage of dues paid to MASSTrans are ineligible. Costs related to advertising revenue are an ineligible expense.

NON-TRANSPORTATION REVENUE:

Freight tariffs and expense reimbursements under Michigan Works and other local agreements are deducted as ineligible project revenue for Federal Section 5311 and State Operating Assistance.

Freight Income	\$ 197
Costs Reimbursed under Michigan Works Program	<u>1,600</u>
Total Non-Transportation Revenue	<u>\$ 1,797</u>

NOTE:

Since the Company did not expend more than \$300,000 in federal funds during the fiscal year 2004, the \$4125 cost of the audit is not eligible for federal reimbursement.

See Auditor's Report and Notes to the Financial Statements.

SANILAC TRANSPORTATION CORPORATION
MILEAGE DATA (UNAUDITED)
Year Ended September 30, 2005
Schedule 7

**PUBLIC
TRANSPORTATION
MILEAGE**

Demand - Response

1st Quarter - December 31, 2004
2nd Quarter - March 31, 2005
3rd Quarter - June 30, 2005
4th Quarter - September 30, 2005

102,613
97,422
102,036
102,240

Total Demand - Response

404,311

Total Operation

404,311

The methodology used for compiling mileage has been reviewed and found to be an adequate and reasonable method for recording vehicle mileage.

See Auditor's Report and Notes to the Financial Statements.

SANILAC TRANSPORTATION CORPORATION
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
Year Ended September 30, 2005
Schedule 8

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>STATE GRANTOR NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>(DEFERRED) REVENUE 10/1/04</u>	<u>CURRENT YEAR RECEIPTS/ REVENUE RECOGNIZED</u>	<u>CURRENT YEAR EXPENDITURES AND ADJUSTMENTS</u>	<u>ACCRUED (DEFERRED) REVENUE AT 09/30/05</u>
Federal Transit Administration Passed through Michigan Department of Transportation Operating Assistance - Section 5311	20.509	02-0083/Z8	\$ 108,735	\$ -0-	\$ 81,792	\$ 108,735	\$ 26,943
		02-0083/Z6		15,145	7,337		7,808
		02-0083/Z4		5,262			5,262
		02-0083		10,730	10,730		-0-
		02-0083/Z5	34,400			4,554	4,554
Project Assistance - 5313	20.515			242	1,435	2,048	855
Rural Transit Assistance Program	20.509		2,048				
Total Federal Financial Assistance			\$ 145,183	\$ 31,379	\$ 101,294	\$ 115,337	\$ 45,422
Michigan Department of Transportation Operating Assistance - Act 51, 2004-05 Operating Assistance - Act 51, 2003-04 Operating Assistance - Act 51, 2002-03 Operating Assistance - Act 51, 2001-02 Operating Assistance - Act 51, 2000-01 Operating Assistance - Act 51, 1999-00 Project Assistance			\$ 338,642	\$ -0-	\$ 330,013	\$ 338,642	\$ 8,629
				31,786			31,786
				8,885			8,885
				5,896			5,896
				5,254			5,254
				10,192			10,192
		02-0083/Z5	8,600			1,139	1,139
Total State Financial Assistance			\$ 347,242	\$ 62,013	\$ 330,013	\$ 339,781	\$ 71,781
Total Federal and State Financial Assistance			\$ 492,425	\$ 93,392	\$ 431,307	\$ 455,118	\$ 117,203

See Auditor's Report and Notes to the Financial Statements.



ROBSON AND McCALLUM
Certified Public Accountants

624 W. Nepessing Street • Suite 106
Lapeer, Michigan 48446
(810) 664-2961 • FAX: (810) 664-9511

Carole A. Robson, CPA • Scott A. McCallum, CPA • Members AICPA and MACPA

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

Board of Directors
Sanilac Transportation Corporation
Carsonville, Michigan

We have audited the component unit financial statements of Sanilac Transportation Corporation as of and for the year ended September 30, 2005, and have issued our report thereon dated January 26, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

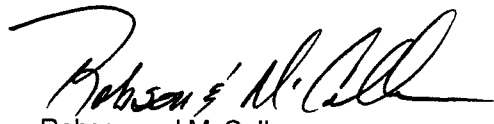
Compliance

As part of obtaining reasonable assurance about whether Sanilac Transportation Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Sanilac Transportation Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A *material weakness* is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities.


Robson and McCallum
January 26, 2006



ROBSON AND McCALLUM
Certified Public Accountants

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**Report on Compliance with Requirements
Applicable to each Major Program and Internal Control
Over Compliance in Accordance with OMB Circular A-133**

Board of Directors
Sanilac Transportation Corporation
Carsonville, Michigan

Compliance

We have audited the compliance of Sanilac Transportation Corporation with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal and state programs for the year ended September 30, 2005. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of Sanilac Transportation Corporation's management. Our responsibility is to express an opinion on Sanilac Transportation Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about Sanilac Transportation Corporation's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Sanilac Transportation Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of Sanilac Transportation Corporation is responsible for establishing and maintaining effective control over compliance with requirements of laws, regulations, contract, and grants applicable to federal programs. In planning and performing our audit, we considered Sanilac Transportation Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A *material weakness* is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal or state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities.



Robson and McCallum
January 26, 2006